



A leaseholder's guide to

Owning Your Freehold

Freehold companies, direct ownership
and how they are run

01 • AT A GLANCE

Who this guide is for

You are buying the freehold of your building with your neighbours, or you already own it, and you need to decide how it should be held and what running it will involve.

Buying the freehold is a transaction. Owning it is a responsibility that lasts as long as the building does. The vehicle you choose determines who signs documents, what happens when a flat is sold, who is personally exposed, and what has to be filed each year — and the wrong choice is tiresome to unpick years later.

This guide covers both routes: holding the freehold in the names of up to four individuals, and holding it through a company. It explains why a company is usually the better answer, when it is not, and what the directors of a freehold company actually have to do.

THE NUMBERS THAT MATTER

4	the maximum number of individuals the Land Registry will enter as proprietors of the freehold
1	the minimum number of directors a private company must have
14 days	to file the confirmation statement after the end of each review period
9 months	to file annual accounts after the end of the accounting reference period
Nov 2026	when the transition period for Companies House identity verification closes
999	years — the lease term members commonly grant themselves once the freehold is owned

Companies House fees changed in February 2026 and are not reproduced here. Current figures are on our website.

02 • THE CHOICE

How the freehold can be held

There are two ways for leaseholders to own the freehold of their building. Both are perfectly proper. They behave very differently over time.

Directly, as registered proprietors. The participants are named on the freehold title and hold it as trustees for themselves. Simple to set up, with nothing to file — but the Land Registry will enter no more than four names, and the title must be redrawn every time a participating flat changes hands.

Through a company. A company is formed, the freehold is transferred to it, and the participants become its members. The title never changes again; what moves when a flat is sold is a share or a membership. There is an annual compliance burden in exchange.

	Direct ownership	Freehold company
On the title	Up to four named individuals	The company alone, however many participants
When a flat is sold	The freehold title must be transferred by deed	The share transfers with the flat
Signing documents	Every registered proprietor must sign	Two directors, or one director and a witness
Liability	Personal, as landlord	Limited to the member's share
Annual filings	None	Confirmation statement, accounts, identity verification
Adding a member later	Transfer of title and a new trust deed	Issue or transfer a share
Risk from inactivity	None	Strike-off can vest the freehold in the Crown

WHICH TO CHOOSE

For two to four flats where everyone is participating, intends to stay, and is taking a 999-year lease straight away, direct ownership is often perfectly sensible and saves an annual chore.

For anything larger, anything where participation is partial, or anything where flats are likely to change hands, a company is almost always worth the filing obligations. The awkwardness of direct ownership does not show up on completion. It shows up at the first sale, and at every sale after that.

Holding it in your own names

Where four or fewer leaseholders are buying, the freehold can simply be transferred into their names. No company, no Companies House, no annual filings.

How the title is held

The Land Registry will enter a maximum of four proprietors of any registered estate. Those proprietors hold the legal title as trustees – for themselves where all four are participating, or on trust for a larger group where more than four have contributed.

Two documents matter. A **declaration of trust** records who owns what share, who pays what, what happens when someone sells or dies, and how decisions are taken. A **Form A restriction** is entered on the title so that the freehold cannot be sold or charged without the trust being respected.

Hold as tenants in common, never as joint tenants. Where co-owners hold as joint tenants, the share of the first to die passes automatically to the survivors rather than to their estate – so the freehold share separates from the flat, and the deceased leaseholder's buyer inherits nothing. It is a common and entirely avoidable error.

Where it works well

- Two, three or four flats where every leaseholder is participating and intends to stay for the long term.
- Buildings where the leases are all being extended to 999 years at a peppercorn immediately, so the freehold becomes largely dormant.
- Groups who want no filing obligations, no annual fees and nothing that can be struck off.

Where it causes difficulty

- **Every sale becomes a second transaction.** The outgoing proprietor must transfer the freehold title alongside the flat, which needs a deed, a Land Registry application and the cooperation of the other co-owners – at exactly the moment they have least reason to hurry.
- **Signatures.** A new lease, a licence to alter or a deed of variation needs every proprietor to sign. One owner abroad, uncooperative or estranged can hold the building up.
- **Death and incapacity.** The legal title has to be corrected, sometimes through probate, and in the meantime a trustee may be someone who no longer owns a flat at all.
- **Personal exposure.** The proprietors are the landlord in their own names, with the landlord's covenants and statutory duties falling on them personally rather than on a company.

What a freehold company is

A freehold company is an ordinary private company formed by the leaseholders for the purpose of acquiring and holding the freehold. Once the transfer completes, the company is the landlord of every flat in the building.

The participants become its members. They elect directors from among themselves, and the directors run the company's affairs — complying with the freeholder's obligations, taking decisions about the building and appointing managing agents where that is sensible.

The company is governed by its **articles of association**, which set out how decisions are made, what the directors may and may not do without the members' consent, and how membership passes when a flat is sold. The articles are settled when the company is incorporated and can be tailored to the building — which is the point at which to think about deadlock, non-participating flats and what happens to a share on death.

Why it is usually the better answer

- **It removes the four-name limit.** Only the company appears on the title, so there is no cap on participants and no trust to administer.
- **Ownership follows the flat.** On a sale the share is transferred to the buyer. The freehold title itself is never touched again.
- **Administration is workable.** Documents are executed by two directors, or one director and a witness, rather than by every owner in the building.
- **Liability is limited.** A member's exposure is ordinarily limited to the nominal value of their share, commonly £1.
- **Later joiners can be admitted.** A leaseholder who did not originally participate can be issued a share, usually for an agreed premium — without redrawing anyone's title.

What the company takes on

Becoming the freeholder means inheriting the landlord's side of every lease in the building. The company must insure, repair and maintain what the leases make it responsible for, enforce covenants against leaseholders who breach them, consult properly before major works, and account for service charge money — which is held on statutory trust and cannot simply be treated as the company's own.

Where the building is a higher-risk building, the company will also be the accountable person under the Building Safety Act 2022, with duties that are neither optional nor inexpensive. Those obligations existed before you bought the freehold. What changes is that they are now yours.

05 • CHOOSING THE STRUCTURE

Limited by shares or by guarantee?

Both are private companies and both are used for freeholds. The difference is what a member holds, and how money can move.

	Limited by shares	Limited by guarantee
What a member holds	A share, evidenced by a share certificate	Membership, with no shares in issue
Admitting a member	A share is issued or transferred	The member is admitted under the articles
Paying money out	Dividends, in proportion to shareholding	Harder; there is no dividend mechanism
Differing rights	Shares can carry different rights and priorities	Members are ordinarily equal
Administration	Share register and certificates to maintain	Lighter; no share register or certificates

Limited by shares is the more common choice where participants have contributed unequal sums, where flats differ significantly in size or value, or where money may need to be returned to members. Limited by guarantee suits buildings where everyone is treated equally and simplicity matters more than flexibility.

Name, address and who controls it

The company's name must be available and not too like an existing one; the building's name and address is the usual choice. The registered office must be an address in England or Wales at which documents can genuinely be received, and it must be kept current. The company must also identify its **persons with significant control** — in a small freehold company the members themselves usually are — and register them.

A FREEHOLD COMPANY IS NOT AN RTM COMPANY

A Right to Manage company is a different creature: a company limited by guarantee with articles prescribed by regulation, which takes over management of the building without owning anything. The two are frequently confused. If you already have an RTM company and then buy the freehold, you will usually want a separate company to hold it, and a decision about what happens to the RTM company afterwards.

Incorporation, step by step

The company must exist before it can be named as the nominee purchaser in a section 13 notice, so incorporation belongs at the start of a claim rather than at the end.

01

Decisions and the formation sheet

1 TO 2 WEEKS

We take the information the company needs: its name, its registered office, who the first directors will be, who the members will be and what each is contributing. The registered office must be an address at which documents can actually be received, and cannot be a PO box.

This is also the point to decide between shares and guarantee, and to settle how the articles should deal with transfers on sale, non-participating flats and deadlock.

02

Articles of association

ALONGSIDE THE FORMATION SHEET

We work from a precedent tailored to freehold companies rather than the off-the-shelf model articles, which are written for trading businesses and deal poorly with the things that matter in a building.

The subscribers sign the articles and thereby become the first members.

03

Incorporation and identity verification

USUALLY A FEW DAYS

The company is registered at Companies House. Every director and every person with significant control must have verified their identity before appointment, either directly through GOV.UK One Login or through an authorised corporate service provider, and each receives a personal code quoted on filings.

Once incorporated, the company can be named in the notice, open a bank account and take a transfer of the freehold in its own right.

WHERE INCORPORATION GOES WRONG

Adopting the unamended model articles, which say nothing about transferring membership when a flat is sold — the single most common defect we are asked to fix years later.

Naming a company in a section 13 notice before it has actually been incorporated, which can invalidate the claim.

Using a director's home address as the registered office without thinking about it, then never updating it when that leaseholder sells.

Putting the company to work

04

Tell the leaseholders

IMMEDIATELY ON COMPLETION

Every leaseholder in the building must be notified of the change of landlord and given an address in England or Wales for the service of notices. Until that address is given, ground rent and service charges are not lawfully payable — so this is not a formality to leave until later.

05

Bank account, records and certificates

FIRST FEW WEEKS

A company bank account is opened to receive any ground rent and to meet the building's costs. Share certificates are issued to the participants, and the statutory registers are written up.

Keep the articles, the incorporation documents, the share certificates, the filings and the minutes together. A future buyer's solicitor will ask for them, and a gap in the papers slows every sale in the building.

06

Grant the new leases

WHEN THE GROUP IS READY

The company can now grant its members new leases — commonly 999 years at a peppercorn ground rent. This is the step that makes the whole exercise worthwhile, and it is an internal decision rather than a negotiation.

Where a flat is mortgaged, the lender's requirements are dealt with at the same time.

07

Insurance and management

BEFORE THE FIRST RENEWAL

The building insurance must be put in place in the company's name — not left running in the former freeholder's — and the leaseholders told where the policy sits. The company then decides whether to manage directly or appoint a managing agent, and sets the first service charge budget.

Most groups underestimate this stage. Managing a building is a year-round obligation, and appointing an agent is usually money well spent even where the directors are willing.

Who runs it, and what they owe

A freehold company is run by its directors, who are usually leaseholders willing to give it some time. A private company needs only one, though two or three spreads the load and makes documents easier to execute.

The duties are owed to the company

Company law requires directors to act within their powers, to promote the success of the company, to exercise independent judgement and reasonable care, to avoid conflicts of interest and not to accept benefits from third parties. In a building those duties bite in ordinary ways: a director cannot prefer their own flat, and a director with an interest in a proposed contract must declare it.

What needs the members' approval

The articles will reserve certain decisions to the members — commonly anything beyond ordinary management, such as significant works, borrowing, granting a lease of common parts, or admitting a new member. Routine matters are for the directors alone, which is the practical benefit of having them.

Records and meetings

Decisions taken by the directors should be minuted and the minutes kept with the company's records. It is dull and it matters: a buyer's solicitor will ask what was decided and when, and an unminuted decision is difficult to defend if a leaseholder later challenges it.

A private company is not required by law to hold an annual general meeting, contrary to a widespread assumption. Many freehold companies provide for one in their articles, and holding a meeting once a year to approve the accounts, report to the members and rotate the directors is good practice whether or not the articles compel it.

PRACTICALITIES WORTH SETTLING EARLY

Directors' names, month and year of birth and a service address appear on the public register, although a residential address need not. Rotating the role every few years keeps any one leaseholder from carrying it indefinitely, and the articles can provide for it.

Professional directors can be appointed where nobody in the building is willing, but they charge, and they will need indemnities and proper instructions. It is usually cheaper to appoint a managing agent and keep the directorships in-house.

The obligations that must not slip

A freehold company that stops filing does not merely incur penalties. It can lose the freehold altogether — and this happens to real buildings.

What has to be filed

- **A confirmation statement**, at least once every twelve months, within 14 days of the end of the review period, confirming the company's details are up to date.
- **Annual accounts**, within nine months of the accounting reference date. Most freehold companies qualify as dormant or micro-entity, though the small-company filing regime is being tightened under the Economic Crime and Corporate Transparency Act 2023.
- **Changes as they happen**, including new or departing directors, a change of registered office, and changes to the members or to any person with significant control.
- **Identity verification**. Mandatory for new directors and persons with significant control since 18 November 2025. Existing directors must verify by their next confirmation statement, and the transition period closes in November 2026.

What happens if it lapses

Late filing brings automatic penalties. Persistent failure leads to the company being struck off the register — and on dissolution its property, including the freehold, vests in the Crown as bona vacantia.

The Crown will not take on a landlord's obligations. In practice the Bona Vacantia Division either sells the freehold, often back to the leaseholders, or disclaims it. Meanwhile nobody is insuring or repairing the building, and every flat in it becomes difficult to sell or mortgage.

THIS IS NOT THEORETICAL

In a decision reported in 2025, leaseholders lost the freehold of their block after the company holding it was struck off for unfiled returns and no restoration application was made within the six-year window. The freehold passed to the Crown, and the position had to be bought back.

Restoration is possible — administratively by a former director or member within six years, or by court order — but it is slow, it costs more than the filings ever would have, and it may not be available at all once the Crown has disposed of the title. Diarising two filing dates a year is the whole of the protection required.

Contributions, and admitting others later

How the participants' money enters the company, and how a neighbour joins afterwards, are worth deciding at the outset rather than when the question arises.

How contributions are recorded

Members generally contribute far more than the nominal value of their shares, because they are funding the purchase price. That difference is usually recorded as a loan to the company rather than as share capital, documented by a loan note to each member.

The practical advantage is that a loan can later be repaid to the member without the tax consequences that a distribution of profit would carry – so when a non-participating leaseholder buys in, the premium they pay can be applied in repaying the original members. This is a question on which the company and its members should take their own accountancy or tax advice; we can flag the structure but we do not advise on tax.

Admitting a leaseholder later

A share can be issued or transferred to a leaseholder who did not originally take part, in return for an agreed premium. Setting the premium is a matter for the company: the usual approach reflects what the original members paid, updated for the passage of time and current values.

The articles should say who decides, and on what basis. Leaving it open invites an argument between the members who took the risk and the neighbour who did not.

When a member sells

The share should move with the flat. Well-drafted articles require a member who sells to transfer their share to the buyer, and give the directors the means to make it happen if they do not – because a former leaseholder who keeps a share in the freehold of a building they have left is a problem for everyone.

The mechanics are straightforward: a stock transfer form, a board resolution, a new certificate and an entry in the register of members. The buyer's solicitor will ask for all four, so keeping the register up to date keeps future sales in the building moving.

GROUND RENT AND RUNNING COSTS

Once the members hold 999-year leases at a peppercorn, the company will usually have little or no income, and the building's costs continue to be met through the service charge. Where any ground rent or other income does arise, the company may have corporation tax filings to make, and its accountant should be told.

Why instruct Arcadia Law

A freehold company is easy to incorporate and easy to get wrong. The articles, the trust arrangements and the transfer mechanics are what determine whether the building runs smoothly for the next thirty years or generates an argument at every sale.

Arcadia Law is a specialist leasehold practice. We act for leaseholder groups and for landlords, and we set up, advise and unpick freehold companies as a matter of routine — including the ones that were incorporated cheaply years ago with model articles and no thought about what happens when a flat is sold.

How we work

- **Articles drafted for buildings.** Not off-the-shelf model articles written for trading companies, which deal badly with transfers on sale, non-participating flats and deadlock.
- **The whole structure, not just the company.** Declarations of trust, participation agreements, loan notes, share certificates and the new long leases are handled together, so nothing is left hanging after completion.
- **Senior oversight throughout.** Every matter is supervised by a senior solicitor, with routine procedural work handled by our paralegal team so that costs stay proportionate.
- **Fixing what is already there.** Missing declarations of trust, joint tenancies that should have been tenancies in common, unissued shares, struck-off companies and freeholds sitting with the Crown.
- **Beyond the freehold.** Lease extensions granted by the company, deeds of variation, licences to alter and assign, right to manage, and the management obligations the company takes on.

A WORD ON THE LONG VIEW

The cost of setting a freehold company up properly is small, and it is incurred once. The cost of doing it cheaply is paid repeatedly — at every sale, on every deed that needs signing, and occasionally in full when a company is struck off and the freehold has to be bought back from the Crown. We would rather spend an hour on the articles now than a year on the consequences later.



Arcadia Law is a member of the Association of Leasehold Enfranchisement Practitioners.

Where to start

Whether you need a company at all depends on how many of you there are and what you want the freehold to do. That is a short conversation.

01

Tell us about the group

A SHORT CALL, AT NO COST

How many flats are in the building, how many leaseholders are participating, and whether the leases are being extended at the same time. If a company already exists, we will review it.

02

We recommend a structure

USUALLY WITHIN A FEW DAYS

Whether to hold the freehold directly or through a company, which type of company, and what the articles and any trust deed need to say for your building.

03

We put it in place

ALONGSIDE THE PURCHASE

Incorporation, articles, identity verification, share certificates and the new leases — with the filing dates written down before we hand the company over to you.

SPEAK TO US

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